
Evaluation of VA Pension and Parents' DIC Programs

VA PENSION PROGRAM FINAL REPORT

By

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INTRODUCTION

Pension programs for wartime veterans and their survivors have existed in the United States since the Revolutionary War. The current VA Pension program, Improved Pension, was established by Public Law 95-588 on November 4, 1978 as a need-based program for veterans and surviving spouses. The veteran and survivor pension program was designed to support the following important values:

- ◆ Assure a level of income above the minimum subsistence level, allowing wartime veterans and their survivors to live their lives in dignity and not to have to turn to welfare assistance
- ◆ Provide the greatest pension for those with the greatest need, while preserving incentives to work
- ◆ Guarantee regular increases to pensions that fully account for increases in the cost of living.

To be eligible for a pension, veterans and spouses must meet countable family income (CFI) limits and have a net worth that is not excessive. Net worth is reviewed on a case-by-case basis with \$80,000 as the general maximum allowed. The Department of Veterans Affairs (VA) assesses net worth to assure that pension is not used to create estates for heirs and considers factors such as age and expected longevity in determining whether assets should be used to fund living expenses.

The number of veteran pensioners in Fiscal Year (FY) 2002 was 327,867 for an annualized total of \$2,140,262,016 in benefits. The average annual amount of benefits was \$6,528 per veteran. The number of spouse pensioners in FY 2002 was 172,383 for an annualized total of \$574,970,328 in benefits. The average annual amount of benefits was \$3,335 per spouse.

STUDY PURPOSE

The purpose of this study is to conduct an objective third-party evaluation of the efficiency and effectiveness of the VA Pension program. The evaluation determines the extent to which the program meets the following criteria:

- ◆ Statutory intent
- ◆ Intended outcomes
- ◆ Expectations of recipients, legislators, program officials, and other stakeholders.

The evaluation also—

- ◆ Assesses the impact of statutes, regulations, and significant court decisions and operations on achieving desired program results
- ◆ Assesses the current program outcomes and outcome measures and recommends revision, if necessary

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- ◆ Identifies and reports on the interrelationship of the VA Pension program with other need-based income support programs available
- ◆ Examines other pertinent issues related to the VA Pension program.

STUDY METHODS

VA's Office of Policy, Planning and Preparedness contracted with ORC Macro, the prime contractor for the study, with support from two subcontractors—Economic Systems Inc. and the Hay Group. The evaluation used a multi-method approach, including stakeholder consultations; literature reviews of legislation, regulations, and court cases; analysis of administrative data; forecasting with multiple data sets; reviews of other assistance programs; analysis of related survey and administrative records; and a computer-assisted telephone survey of 1,305 veterans and 1,294 spouses participating in the VA Pension program as of June 2002.

STUDY FINDINGS

I. Outcomes and outcome measures

VA established the following outcomes for the VA Pension program:

- ◆ Access—Veterans and their families get the information and help they need to access, understand, and participate in the VA Pension program and related health care options.
- ◆ Income—VA pension provides entitled wartime veterans and their survivors the income they need to afford the basic necessities for themselves and their families.
- ◆ Basic Security—Pensioners and their families can rely on the financial continuity and stability of the VA pension in time of need.
- ◆ Dignity—VA pensioners are accorded the dignity and respect earned through the veteran's service to our Nation during wartime.

Our review of the legislative history indicates that the VA Pension program is intended to provide wartime veterans and their survivors with an income that covers basic necessities so that they do not have to turn to welfare. However, the legislation for the VA Pension program does not provide a specific standard, such as exceeding the poverty guideline¹ by a certain percentage. Instead, the program's funding level determines the structure of the benefit amounts. FY2002 benefit amounts for a

¹ The Department of Health and Human Services (HHS) poverty guidelines or levels are a simplified version of the Federal Government's statistical poverty thresholds used by the U.S. Census Bureau to prepare its statistical estimates of the number of persons and families in poverty. The poverty guidelines issued by HHS are used for administrative purposes—for instance, for determining whether a person or family is financially eligible for assistance or services under a particular Federal program. Many Federal programs use percentage multiples of the HHS poverty guidelines to determine program eligibility (for example, 125% or 185% of the poverty guideline). Separate guidelines are prepared for the 48 contiguous States, Alaska, and Hawaii. In 2002, the Federal poverty guideline for a single individual in the 48 contiguous States was \$8,860. Each additional household member adds \$3,080 to the guideline.

single individual with no dependents place veterans at 108 percent of the poverty guideline but place spouses at 73 percent of the poverty guideline.

The extent to which the outcomes are achieved is included in the following discussion.

Analysis of survey responses and VA administrative data reveal that only 17 percent of surviving spouses meet or exceed the poverty line, but that 85 percent of veteran pensioners meet or exceed the poverty line. Overall, veterans fare better, but their incomes are still close to poverty. The VA pension benefit is so low that it is not sufficient to cover basic living expenses, regardless of where they fall relative to poverty, of more than one-third of all pensioners. Pensioners describe their financial situation as either barely being able to pay for their basic necessities or having to make major sacrifices. Both veterans and spouses report unmet needs and cutbacks on necessities to cover other living expenses. One-third of pensioners say they had difficulties meeting living expenses in the past 12 months, and half of them say that they ran out of money and had to cut back on basic necessities. More than three-quarters of the pensioners make sacrifices to make ends meet, primarily using strategies that compromise their well-being, such as eating cheap foods instead of balanced meals, skipping meals, not using heat and air conditioning, borrowing money from family and friends, not filling prescriptions or taking lower dosages than prescribed, and numerous other methods. Given these findings, it is reasonable to conclude that the total incomes of veteran and spouse pensioners are not sufficient to cover their basic necessities.

2. Access, participation, and nonparticipation

Veterans learn about the VA Pension program primarily from VA or veteran service organizations (VSOs). Veterans most often apply to the program either due to a serious illness or because they recently became aware of the program's existence. Conversely, spouses learn about the VA Pension program primarily because the deceased veteran was receiving a VA pension. Spouses' other frequently reported reasons for applying are similar to those reported by the veteran: becoming aware of the program's existence, insufficient financial resources, and serious illness.

Based on Census 2000, 2001 Current Population Survey² data and VetPop2001,³ we estimate that only about 27 percent of eligible veterans and 14 percent of eligible spouses received pension benefits in 2001.

The study produced conflicting results about the application. Pensioners report that the application process was easy and not a barrier to participation, eligibles and their caregivers were completely unaware of the program and found the application process daunting. More than 90 percent of participating pensioners received assistance in completing their application.

3. Profile of veteran and spouse pensioners

The profile of pensioners indicates that most beneficiaries are White, elderly, not highly educated, and currently or previously married. A substantial percentage of pensioners identify themselves as non-White—26 percent of veterans and 32 percent of spouses; most of these pensioners are African

² The Current Population Survey is a monthly survey conducted by the U.S. Census Bureau of the U.S. Civilian noninstitutionalized population.

³ VetPop is the statistical model that VA uses to estimate the veteran population and participation in its programs for the next 100 years. The model is based on veteran data collected from the decennial census, the Department of Defense, and the VA Compensation and Pension Service.

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American. The average veteran is a 68-year-old male; the average spouse is a 71-year-old female. The educational level of pensioners corresponds to their economic situation—44 percent of veterans and 60 percent of spouses do not have a high school diploma; about one-fourth of pensioners have an eight-grade education or less. Almost half of the veterans and three-quarters of the spouses live by themselves. Veterans who do not live alone most often live with a spouse; spouses who do not live alone most often live with adult children. Forty-two percent of veterans and almost half of the spouses are homeowners.

Pensioners are in fair-to-poor health, with an average of four concurrent health problems. Almost three-quarters of the surveyed veterans and more than half of the spouses have significant physical limitations that affect their mobility (such as difficulty climbing stairs and walking). Overall, many of the pensioners (62% of veterans and 49% of spouses) report that they stay at home most of the time due to disabilities or health problems. An additional 11 percent of veterans and 7 percent of spouses are bedridden. Nearly half of the veterans and more than one-third of the spouses need help to perform the activities of daily living, such as shopping, cooking, and cleaning. Veterans are more likely to transport themselves with their own cars; spouses are more likely to ask someone to give them a ride when they need to leave their home.

The vast majority of the pensioners have health care coverage—low-income veterans qualify for VA health care, although survey responses indicate that some⁴ may not be aware of this. Spouses report that they receive health care primarily through Medicare or Medicaid, and veterans report receiving health care primarily through military health care services⁵ and VA. A minority (5% of veterans and 13% of spouses) who have no health care coverage get health care by going to emergency rooms, paying out of pocket, or avoid using health care services altogether. Those most likely not to have health care coverage are veterans and spouses with children. The primary health care services used by respondents are prescription medicines, doctors' visits, eyeglasses or eye exams, and laboratory tests.

Given their age and health status, most VA pensioners are not employed. Among those under 65 who are not employed, poor health and disabilities is the predominant reason they give for not working.

4. Pensioners' assets, expenses, and debt

Survey results show that pensioners rely primarily on their VA pension (more than 93%) and Social Security (two-thirds of veterans and almost three-fourths of spouses) benefits to cover living expenses and unexpected needs. VA pension recipients have few assets other than their homes or vehicles. According to VA's administrative records, 67 percent of veterans and 71 percent of spouses have a zero net worth (excluding homes). The average net worth of pensioners is \$1,897 for veterans and \$1,618 for spouses, according to VA's administrative records. VA pension recipients most often report food, utilities, and housing as their largest living expenses.

A large percentage of veterans and spouses have substantial amounts of debt, incur debt to pay for living expenses, and have to rely on financial assistance from others, mostly adult children, to help them meet their living expenses. Almost half of the veterans and more than one-third of the spouses have debt,

⁴ Five percent of veteran survey respondents indicated they had no health care coverage. However, VA health care is available to low-income veterans whose income meets the current VHA income limits. Pension beneficiaries currently are automatically eligible as category 5 enrollees.

⁵ Veteran respondents may have confused military hospitals with VA hospitals. Veterans who receive care at military hospitals are military retirees whose incomes are likely to be higher than the maximum allowed to qualify for a pension.

primarily from credit cards, unpaid health care expenses, and mortgages; average debt is \$16,555 for veterans and \$11,144 for spouses. More than one-fourth of veterans and one-fifth of spouses report that they use credit cards or loans to pay for their basic living expenses, primarily food and clothing.

Younger pensioners and pensioners with children are worse off than other pensioners. Younger pensioners and pensioners with children have fewer assets, more debt, and more of them use credit to pay for living expenses. Younger pensioners and pensioners with children are less likely to have any savings, and if they do, they have less than older pensioners. Overall, younger pensioners and pensioners with children are in the weakest financial position.

5. Income

The primary source of income for veterans and spouses who receive a VA pension is the VA Pension program, followed by Social Security. Veterans receive a little more than half of their income from VA pension and a little less than half from Social Security; this trend is reversed for spouses. The remainder of their income comes from other retirement sources, but these other sources account for less than 5 percent of their income. Their total⁶ incomes place 83 percent of spouses at or below the poverty line and 15 percent of veterans at or below the poverty line. Without other Federal means-tested assistance (such as Supplemental Security Income, food stamps, welfare/TANF, and subsidized housing) veterans' total annual average income is \$12,556, and spouses' is \$7,902. More spouse pensioners (48%) receive assistance from Federal means-tested programs, compared with 23 percent of veterans. Veterans receive an average of \$375 in additional cash and non-cash assistance per year; spouses receive \$605 per year.

In comparison of the elderly (65 and over) veteran pensioners with the general elderly (defined as those 65 years old or older for this study) means-tested population who receive assistance from Federal programs, the picture is mixed. On one hand, there are fewer elderly veteran pensioners living at or below the poverty line (13% compared to 33%). On the other hand, average income for elderly veteran pensioners is much less than average income for the general means-tested populations (\$13,101 compared to \$25,528). Compared to the general elderly means-tested population who receive need-based assistance from Federal programs, elderly spouse pensioners have lower total incomes (\$8,336 compared to \$25,528), and more are at or below the poverty guideline (78.5% compared to 36.9%).

The amount of VA pension benefits that participants receive is driven by the program's eligibility formula. The characteristics of veterans and spouses that are associated with higher amounts of pension benefits are: financially supporting someone else, being confined to home due to disabilities, and being younger. Having dependents increases the amount of benefits; being confined to home is likely to result in receiving aid and attendance/homebound benefits, and younger pensioners are less likely to receive Social Security retirement and therefore get a larger portion of their income from the VA Pension program. Having at least a high school diploma and living with others are two significant factors for receiving higher benefits that were found statistically significant for spouses but not for veterans. (Appendix A contains a detailed description of the multivariate methodology and the levels of statistical significance obtained.)

⁶ Excluding Federal means-tested assistance.

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The policy of submitting unreimbursed medical expenses (UMEs) at the end of the year is financially burdensome and may result in UMEs not being submitted at all. In comparing the survey results with VA administrative records, 23 percent of veterans and 27 percent of spouses indicate that they have health care expenses, but only 38 percent of those veterans and 28 percent of those spouses report them to VA. Reporting these unreimbursed medical expenses (UMEs) would decrease the poverty rate for veterans and spouses by approximately 4 and 5 percentage points, respectively. Ninety-seven percent of spouses who do not report UMEs are at or below the poverty level. The timing of the survey (Fall 2002 through Spring 2003) and the administrative files (summary through June 2002) may artificially inflate these numbers, but at a minimum, the policy on UMEs needs to be reviewed.

The income provided by the VA Pension program provides security in the sense that it is a reliable source of income. Most pensioners receive the benefit continuously after enrolling, and the benefit level remains stable. However, pensioners do not view their overall financial situation as very secure. They rate the program as providing moderate to little security. One-third stated that they had difficulty meeting basic living expenses in the past 12 months.

6. How program operations affect outcomes

The outreach procedures described by VA primarily target veterans and secondarily surviving spouses and dependents of veterans. The outreach tends to “bundle” all the VA programs and focus on veterans. No evidence was provided that VA targets isolated elderly people—housebound individuals and potential eligibles in nursing homes and other senior facilities. Furthermore, although VA’s central office provides overall guidance, outreach varies in type and intensity by VA Regional Office. VA recently began sending out brochures about all of VA’s programs to veterans when they apply for any VA benefit and to survivors when VA is notified of a veteran’s death. This should help improve awareness of the VA Pension program for future participants, but it does not reach current survivors who are unserved and veterans who do not receive other VA benefits.

Recent applicants report that the application process was easy. However, nearly all of them (95%+) had assistance in completing the application. Nonparticipating eligibles find the application daunting and inappropriate for the educational level of applicants. Our review of the application and the Eligibility Verification Report (EVR) suggests that the application and EVR can be improved to increase reporting accuracy.

Once an applicant is found eligible for its pension program, VA has good procedures and processes to provide relevant information about the program, verify any overpayment amount, or deny benefits to ineligible applicants.

Some program information is not relayed effectively to the applicants. The application is not completely clear about medical expense reporting and what information should be provided. The information provided in the application and the EVR is not identical in informing applicants of the types of income they must report and may result in some overpayment. The application, not the EVR, requests information for eligibility for aid and attendance and housebound benefits. As pensioners age, they may become qualified for the additional benefits, but they may not inform VA because such information is not requested on the EVR. The age and low educational level of pensioners also indicate the need for an easier application.

The current income verification matching (IVM) program with the Internal Revenue Service has a 2-year lag. This means that VA must wait 2 years before it can verify the income information provided by

applicants on the initial application. Consequently, applicants could be receiving benefits 3 years before VA is able to determine that they are ineligible for benefits or that they are overpaid.

We found no court cases that mandated changes in VA's procedures for the administration or payment of pension benefits or any decisions that would interfere with the operation of the program or with satisfaction of program objectives. Most cases involved interpretation of statutes and regulations regarding eligibility for benefits or other matters related to the facts and circumstances of the case.

7. Pensioners' needs

Both veterans and spouses report unmet needs and cutbacks on necessities to cover other living expenses. One-third of pensioners say they had difficulties meeting living expenses in the past 12 months, and half of them say that they ran out of money and had to cut back on basic necessities. More than three-quarters of pensioners made sacrifices to make ends meet, primarily by implementing strategies that compromised their well-being, such as eating cheap foods instead of balanced meals, skipping meals, not using heat and air conditioning, borrowing money from family and friends, not filling prescriptions or taking lower dosages than prescribed, and numerous others methods. VA pensioners used these strategies cyclically and concurrently to save money to pay for living expenses when their VA pension (as well as other financial resources) ran out before the end of the month. Larger percentages of pensioners with children, those younger than 65 years of age, and non-Whites report far greater financial need and use money saving strategies more than other pensioners.

Despite their sparse financial situation and the money-saving strategies that they must use, VA pensioners would be significantly worse off without a VA pension. More than half of recent veteran awardees and almost one-third of the recent spouse VA pensioners rate their current financial situation as better than before they began receiving a VA pension and also report their current household income to be more than before they began receiving a VA pension. Furthermore, the percentage of recent awardees who had difficulties or were not able to pay their living expenses was much smaller in the past 12 months than in the year before the VA benefits. Thus, a VA pension is an important part of the pensioners' ability to survive, even at a subsistence level.

8. Satisfaction with the VA Pension program

Nearly all pensioners are proud to be a veteran or the widow/widower of a veteran and believe that the Pension program provides recognition for the veterans' services to our country.

Overall satisfaction for the VA Pension program is between somewhat satisfied and satisfied, 4.4 on a scale of 1 to 6 for veterans and spouses. The VA staff has the highest satisfaction score (5.0). Other high-scoring program features are the application process overall (4.7 to 4.8) and sending in information (4.7 to 4.8). In contrast, focus groups of eligible but nonparticipating veterans and spouses and managers of the affairs of eligible veterans and spouses conclude that the application is daunting and that the application process is a barrier to participation. These findings suggest that nonparticipants' views of ease of access to the Pension program are very different from participants' views. People who accessed the program generally find it easy to do so; people who have not accessed the program do not find it easy to access. Treatment of UMEs, net worth, counting spouse's income for veterans, and counting the income of children are scored lower but are still in the somewhat satisfied range. The lowest satisfaction ratings are between somewhat dissatisfied and somewhat satisfied for the overall service experience, counting the proceeds of the sale of a home as part of net worth, and amount of benefits received.

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In explaining respondent characteristics that contribute to satisfaction and dissatisfaction, increases in age are associated with increases in satisfaction for veterans and spouses. More educated spouses are less satisfied, and African American veterans are less satisfied than other veterans. The attributes that most affect the overall satisfaction rating of spouses are the amount of the benefit and the counting of net worth. Although customer satisfaction of veterans with VA staff and the application process score high, they are not the major drivers of customer satisfaction. Rather, the amount of benefit is the principal driver. For spouses, the principal drivers are the amount of benefit and the counting of net worth. Therefore, the attributes that VA would need to address for the overall satisfaction score to increase significantly for spouses are the amount of the benefit and the counting of net worth. For veterans, the only way to improve satisfaction is to increase the amount of the benefit.

CONCLUSIONS

The conclusions drawn from the study findings are the following:

- ◆ The VA Pension program is meeting its outcome of conveying a sense of dignity to veterans and spouses. Most veterans and spouses feel that the program provides recognition of veterans' wartime service.
- ◆ The VA Pension program is meeting its congressional intent by not displacing work. The average age of pensioners is 68 for veterans and 71 for spouses; most of the younger pensioners are not working due to health problems.
- ◆ A VA pension is a key source of income for veterans and spouses who receive pensions, providing slightly more than half of the veterans' income and slightly less than half of the spouses' income. Without their VA pension, veterans and spouses would be much worse off.
- ◆ VA pensions do not provide sufficient income to cover veterans and spouses' living expenses. As such, it does not meet congressional intent or VA's outcome for income that provides the basic necessities for pensioners and their families. Pensioners with dependent children are worse off than other pensioners. Pensioners' unmet needs include food, heat, transportation, and health care.
- ◆ The VA Pension program is not meeting its program goals because too few eligibles are being served. Only 14 percent of spouses and 27 percent of veterans who are qualified to receive a pension received one in 2001.
- ◆ The VA Pension program is not meeting congressional intent because it does not provide a level of income above the minimum subsistence level, allowing veterans and their survivors to live their lives in dignity and not to have to turn to welfare assistance. The VA pension does not cover the basic living expenses of VA Pension program participants. Most veterans are slightly above poverty and spouses are well below poverty, forcing pensioners to make sacrifices to make ends meet.

RECOMMENDATIONS

All recommendations are predicated on the study team's interpretation of congressional intent for the VA Pension program, which is that the program should provide a level of income that places VA Pension

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- ◆ The VA Pension program is meeting its congressional intent by not displacing work. The average age of pensioners is 68 for veterans and 71 for spouses; most of the younger pensioners are not working due to health problems.
- ◆ A VA pension is a key source of income for veterans and spouses who receive pensions, providing slightly more than half of the veterans' income and slightly less than half of the spouses' income. Without their VA pension, veterans and spouses would be much worse off.
- ◆ VA pensions do not provide sufficient income to cover veterans and spouses' living expenses. As such, it does not meet congressional intent or VA's outcome for income that provides the basic necessities for pensioners and their families. Pensioners with dependent children are worse off than other pensioners. Pensioners' unmet needs include food, heat, transportation, and health care.
- ◆ The VA Pension program is not meeting its program goals because too few eligibles are being served. Only 14 percent of spouses and 27 percent of veterans who are qualified to receive a pension are expected to receive one in 2005.
- ◆ The VA Pension program is not meeting congressional intent because it does not provide a level of income above the minimum subsistence level, allowing veterans and their survivors to live their lives in dignity and not to have to turn to welfare assistance. The VA pension does not cover the basic living expenses of VA Pension program participants. Most veterans are slightly above poverty and spouses are well below poverty, forcing pensioners to make sacrifices to make ends meet.

RECOMMENDATIONS

All recommendations are predicated on the study team's interpretation of congressional intent for the VA Pension program, which is that the program should provide a level of income that places VA Pension

program participants above the poverty line when counting nonwelfare income sources. The following recommendations are offered to improve the VA Pension program:

Recommendation 1: The VA pension eligibility cutoff for veterans places them at 108 percent of the poverty level and spouses at 73 percent of the poverty line. Given the study results showing that 15 percent of veterans and 83 percent of the spouses are at or below the poverty line, Congress should consider increasing the VA pension benefit amount. Survey responses indicate that current benefit levels do not cover basic living expenses for veterans and spouses of veterans, and that those with children are worse off. If Congress intends for the program to meet these needs, VA pension benefits would have to be increased dramatically for spouses and less for veterans. We offer options to VA for increasing benefits up to 185 percent of the poverty line, a level at which the U.S. Department of Agriculture (USDA) provides food benefits. We recommend the USDA standard because more than two-thirds of veterans and three-fourths of spouses use food-related strategies to save money for other living expenses.

Recommendation 2: VA should improve its outreach efforts so that veterans and spouses who are entitled to pension benefits access them. There are three barriers to participation in this program. First, veterans and spouses are not aware of the program. Second, even if they become aware of the program, their age, physical condition, educational level, health status, and general isolation make it difficult for them to pursue the application process and the ongoing eligibility requirements. Third, low-income, elderly individuals tend not to be proactive self-advocates. Rather, they are willing to “make do” and not seek additional assistance from the Government. Given this situation, we recommend that VA conduct pilot tests of various outreach and application improvement strategies.

Recommendation 3: VA should encourage pensioners to submit medical expenses throughout the year instead of its current policy of asking needy pensioners to submit accumulated UMEs at the end of the year. The income level of participating pensioners is too low to expect them to carry the costs of medical expenses until the end of the year.

CHAPTER 1. INTRODUCTION

A. WHAT IS THE VA PENSION PROGRAM?

The current pension program, the Improved Pension, was established by Public Law 95-588 on November 4, 1978. The Improved Pension replaced two predecessor programs, “Old Law” and “Section 306” pensions, and before them, a series of separate pension programs established to address the needs of veterans of specific conflicts. The history of pension programs in the United States dates to the early colonies that cared for injured soldiers for life. Following periods of conflict, beginning with the Revolutionary War, the Congress enacted laws to provide pensions to wartime veterans and to their surviving spouses. Beginning with World War II veterans, Congress established a permanent veteran and survivor program.

The veteran and survivor pension programs were designed to support several important values:

- ◆ Assure a level of income above the minimum subsistence level, allowing veterans and their survivors to live out their lives in dignity and not to have to turn to welfare assistance
- ◆ Provide the greatest pension for those with the greatest need while preserving incentives to work
- ◆ Guarantee regular increases to pensions that fully account for increases in the cost of living.

To be eligible for pension, individuals must meet countable family income (CFI) limits, as defined in Exhibit I.1, and not have excessive net worth. The Department of Veterans Affairs (VA) assesses net worth on a case-by-case basis, considering age and expected longevity to prevent the development of estates for heirs. Generally, pensioners may not have net worth in excess of \$80,000. The Department of Health and Human Services’ (HHS) 2002 poverty guidelines are presented in Exhibit I.1 for contrast with VA’s countable family income limits.

Exhibit I.1. Annual Countable Family Income Limits—VA Pension Program

Annual Countable Family Income Limits (as of 12/01/2002)			
Status	Countable Family Income (CFI) Limit (12/01/2002)		FY2002
	Veteran	Spouse	HHS Poverty Guideline
Individual—no dependents	\$9,690	\$6,497	\$8,860
Individual plus spouse or one dependent	\$12,692	\$8,507	\$11,940
Housebound—no dependents	\$11,843	\$7,942	\$8,860
Housebound—one dependent	\$14,844	\$9,948	\$11,940
Aid and Attendance—no dependents	\$16,169	\$10,387	\$8,860
Aid and Attendance—one dependent	\$19,167	\$12,393	\$11,940
Increase CFI for each additional dependent	\$1,653	\$1,653	\$3,080

Source: VA Web site

CHAPTER 1. INTRODUCTION

The annual benefit amount of improved pension is determined by computing the difference between the veteran's CFI and the limits in the above table. The difference is usually paid in 12 equal monthly payments rounded down to the nearest dollar. For example, a veteran without dependents who had CFI of \$8,000 per year would receive an improved pension of \$140 per month $([\$9,690 - \$8,000]/12)$. If this veteran's CFI exceeds \$9,690, no benefit is payable. Death pension benefits are computed in the same manner as improved pension benefits. The annual benefit is the difference between the CFI limits shown above and the applicant's CFI. For example, a surviving spouse with no dependents who has annual CFI of \$2,500 would receive a monthly death pension of \$333 $([\$6,497 - \$2,500]/12)$.

As shown in Exhibit 1.2, the number of veterans receiving a VA pension in Fiscal Year (FY) 2002 was 327,867, for an annualized total of \$2,140,262,016 in benefits. The number of spouses for that year was 172,383, for an annualized total of \$574,970,328. The average annual amount of benefits was \$6,528 per veteran and \$3,335 per spouse. Both improved pension and death pension benefits are automatically indexed to the annual increase in Social Security benefits so that adjustments to Social Security (which are included in CFI) do not reduce veteran or survivor benefits.

Exhibit 1.2. Total Number of Recipients of Pension Benefits FY 2002

	Number	Total Annual Amount	Average Amount	
			Annual	Monthly
Veterans	327,867	\$2,140,262,016	\$6,528	\$544
Spouses	172,383	\$574,970,328	\$3,335	\$278

Source: Benefits Delivery Network-RCS 20-0221

B. WHAT ARE THE PURPOSES OF THE EVALUATION?

The purpose of this study is to conduct an objective third-party determination of whether the VA Pension program¹ meets its statutory intent; the intended outcomes of the program; and the expectations of recipients, legislators, program officials, and other stakeholders. This report also addresses the following additional study purposes:

- ◆ Assess the impact of statutes, regulations, significant court decisions, and operations on achieving desired program results
- ◆ Assess the current program outcomes and outcome measures and recommend revisions if necessary
- ◆ Identify and report on the relationship of the VA Pension program with other income support programs available
- ◆ Examine pertinent issues related to the program.

The detailed list of study topics is shown in Exhibit 1.3.

¹ The scope of this evaluation includes VA's two need-based programs: VA Pension program for veterans and surviving spouses and Parents' DIC. This report addresses the Pension program; a separate volume addresses the evaluation of the Parents' DIC program.

Exhibit 1.3. Detailed List of Evaluation Topics for Evaluation of Pension and Parents' DIC Programs

Antecedents	1. Assess situations just prior to participation in programs.
Description	2. Describe and profile program participants.
Outcomes	3. Assess adequacy of program outcomes and outcome measures.
	4. Assess extent to which statutory intent, program outcomes, and targets are being met.
Needs	5. Identify needs of participants—met and unmet—and factors associated with differential needs.
Medical care	6. Examine participants' sources of medical care—VA and non-VA—and identify unreimbursed medical care, impacts, and reasons for nonparticipation in VA health care program. Calculate the value of medical care provided by VA and estimate the cost of providing medical care for spouses.
Employment	7. Assess effects of program structure on employment decisions.
Net worth	8. Assess impact of net worth restrictions on applicants.
Satisfaction	9. Assess participant satisfaction.
Relationship to other programs	10. Assess interrelationships between the VA programs and other Federal programs (entitlement, health care, etc.) to determine how well these programs complement one another.
Operations	11. Assess program regulations and operations derived from legislation, their relationship to program outcomes, and their burden on VA and program participants. Compare VA's procedures with other Government income support programs in areas such as cost, income validation, income components/factors, and net worth components/factors. Identify changes to statute or regulation/procedures that could result in VA realizing program improvements and/or time and cost savings.
Projections	12. Project future program participation, given the changes in veteran demographics and the labor market.
Nonparticipation	13. Assess the reasons for nonparticipation.

VA's Office of Policy, Planning and Preparedness contracted with Macro International Inc. (ORC Macro) as the prime contractor for the study with the support of two subcontractors—Economic Systems Inc. and the Hay Group. Under the leadership of the Contracting Officer's Technical Representative (COTR), VA managed the project through a team approach. The VA team consists of evaluators, information specialists, and program specialists who meet regularly to guide and direct the contractors.

CHAPTER 1. INTRODUCTION

ORC Macro is responsible for the overall design of the study, the survey data collection and analysis, and reporting. Economic Systems Inc. is responsible for analysis of extant data, including operations analysis, comparisons with other programs, and analysis of the survey satisfaction data. Hay Group focuses on legislative history, comparative analysis of VA and non-VA benefits, and actuarial projections.

C. WHAT WERE THE STUDY METHODS?

The study used multiple methods to address various research questions, which are summarized in Exhibit 1.4. The study team met with various stakeholders to inform the study design and to assess the appropriateness of the program outcomes that VA established for the program. The following stakeholders and Government oversight agencies provided input into the study design:

- ◆ Office of Management and Budget
- ◆ VA Program Officials
 - Veterans Benefit Administration's Compensation and Pension Service
 - Baltimore Regional Office
 - St. Paul Regional Office
- ◆ Veterans Service Organizations
 - American Veterans (AMVETS)
 - Paralyzed Veterans of America
 - American Legion
 - Veterans of Foreign Wars
 - Disabled American Veterans
 - Gold Star Mothers
- ◆ Staff of the following congressional committees
 - Senate Veterans Affairs Committee
 - House Veterans Affairs Committee

Exhibit 1.4. Summary of Study Methods

Method	Role in Evaluation
Stakeholder consultations	Inform design Assess outcomes
Survey of participants	Identify antecedent situations Describe participant characteristics Assess outcomes and needs Identify employment situation and decisions Assess health care Identify net worth and effect of restrictions Assess satisfaction
Nonparticipant discussion groups	Identify reasons for nonparticipation

Method	Role in Evaluation
Review of legislation, regulations Discussions with VBA program staff	Identify legislative and regulatory requirements, operationalize requirements, and assess features that support or detract from program outcomes
Analysis of VA health care records	Assess VA health care utilization
Comparative assessment of VA and other Federal need-based programs	Assess relationships between VA and other Federal assistance programs
Census 2000, CPS, and VetPop² model	Make future projections Project nonparticipation

The assessment of the operation of VA's Pension program is based on observations at two regional processing centers and interviews with staff, and interviews with Compensation and Pension (C&P) Service staff at the VA central office (VACO) in Washington, DC. The program's legislative history was assessed through a review of the legislation and regulations. Program outcomes and the outcome assessment are based on discussions with the stakeholder groups and on a conceptual assessment of legislative intent. The actual assessment of outcomes was accomplished through a survey of pensioners conducted through computer-assisted telephone interviews (CATIs). Nationally representative samples³ of 1,305 veteran and 1,294 spouse VA pension recipients as of June 2002 participated in telephone interviews on the following topics:

- ◆ Circumstances leading to the need for benefits
- ◆ Access
- ◆ Characteristics, demographics, and living situation
- ◆ Financial circumstances
- ◆ Health care
- ◆ Employment
- ◆ Met and unmet needs
- ◆ Satisfaction.

Administrative records provided information on levels of benefits, income, and the use of VA health care benefits. Reviews of other Federal benefit programs occurred through literature and regulatory reviews, providing information on how other programs complement the Pension program. The VetPop model was used to estimate future participation levels. Census data was analyzed to develop an estimate of nonparticipation. Two discussion groups were held to address nonparticipation—a discussion group with 6 nonparticipating veterans and spouses who live in subsidized housing in Los

² VetPop is the statistical and actuarial tool that VA uses to project the veteran population at the State level to 2030 by age, gender, and period of service, and includes such important variables as VA disability status, degree of disability, and officer or enlisted status at the national level. VetPop2001Adj projections have recently been adjusted on the basis of the 2000 Census.

³ The pension respondent group included three samples each for veterans and spouses—nationally representative samples of all participants and separate nationally representative samples of recent participants and participants with dependent children. See Appendix A for more detailed information on the study samples.

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Angeles and a focus group of 12 caregivers in the Washington, DC area who manage the affairs of nonparticipating veterans and spouses. Together, these methods produced a comprehensive assessment of the VA Pension program.

The exhibits in this report aim to highlight and synthesize the survey findings. Therefore, the percents in some exhibits may sum to less than 100 because we excluded the less frequent or less important findings, or they may sum to more than 100 because respondents could sometimes choose more than one response. The tables referenced in Appendices D and E provide both the number and the percentage of the total sample that responded to the study survey and account for 100 percent of the responses. Not all reported findings are based on the survey tables in Appendices D and E; different timeframes,⁴ data sources,⁵ and methods of analysis⁶ produced some results that differ from the survey tables.

D. REPORT OVERVIEW

This report contains 10 chapters addressing the key study findings, plus appendices containing supporting documentation. The chapters following this introduction are:

- ◆ Program goals, outcomes, and measures
- ◆ Access, participation, and nonparticipation
- ◆ Description of veteran and spouse pensioners
- ◆ Assets, expenses, and debt
- ◆ Income
- ◆ Operations
- ◆ Needs
- ◆ Satisfaction
- ◆ Conclusions and recommendations.

⁴ Most results are based on the study sample period (June 2002), but some analyses use data for different periods (e.g., calendar year and fiscal year).

⁵ The study used numerous data sources including the study survey, administrative records, census, and other data.

⁶ For instance, calculation of percentages on the basis of respondents to a particular item differs from percentages based on all survey respondents.

CHAPTER 2. PROGRAM GOALS, OUTCOMES, AND MEASURES

A. WHAT IS THE STATUTORY INTENT OF THE VA PENSION PROGRAM?

Beginning with the Revolutionary War, pensions have been provided to veterans and survivors following every major conflict in which American servicemembers have participated. As Exhibit 2.1 illustrates, however, many years often elapsed between the termination of hostilities and the enactment of a pension law for veterans and surviving spouses. Not until World War II was a pension benefit law enacted during the period of war.

Exhibit 2.1. Elapsed Years from the End of the Period of War to First Enactment of Pension Legislation

Period of War	Number of Years Before Veteran Pension Law Enacted	Number of Years Before Survivor Pension Law Enacted
Revolutionary War (1775–1784)	34 years	52 years
War of 1812 (1812–1815)	56 years	56 years
Mexican War (1846–1848)	39 years	39 years
Indian Wars (1817–1898)	50 years	50 years
Civil War (1861–1865)	25 years	25 years
Spanish-American War* (1898–1902)	18 years	16 years
Mexican Border Period (1916–1917)	53 years	53 years
World War I (1917–1918)	12 years	16 years
World War II (1941–1945)	Enacted before end of period of war	Enacted before end of period of war
Korean Conflict (1951–1953)	Enacted before end of period of war	Enacted before end of period of war
Vietnam Era (1964–1975)	Enacted before end of period of war	Enacted before end of period of war
Gulf War Era (1991–present)	Enacted before end of period of war	Enacted before end of period of war

* Includes Boxer Rebellion and Philippine Insurrection.

Source: Ilona N. Rashkow, Congressional Research Service, *The Veterans Pension Program Past, Present, and Future*, April 16, 1976, Revised November 25, 1977, p. 26

The historical summary through the Korean Conflict reveals three important trends in the development of the veteran Pension program. First, as illustrated in Exhibit 2.1, before World War I, pension laws were enacted years after the end of the period of war, when there were relatively few remaining veterans who were eligible for benefits. This approach began to change when pensions for World War I veterans were enacted 12 years after the War, and a permanent Pension program has been in place continuously since World War II.

Second, before the Pension program for the Civil War veterans, there was no requirement for disability in order to receive a pension. However, the time elapsed between termination of war and the enactment of pensions meant that the eligible veteran population still living would be smaller and have a higher incidence of infirmities. For more recent conflicts, Pension program laws were enacted sooner,

CHAPTER 2. PROGRAM GOALS, OUTCOMES, AND MEASURES

thus the potentially eligible veteran population was younger and an explicit requirement for disability was appropriate.

Third, until World War I, demonstration of need was not an explicit requirement for eligibility, although there was an implicit understanding that the advanced age and/or fragile health of most eligible veterans would render them unable to earn a living.

Some characteristics of the Pension program in place at the end of the Korean Conflict had begun to raise concerns.

- ◆ The Pension program was all-or-nothing. Veterans whose incomes just exceeded the limits received no benefits, while those with incomes just below the limits received full benefits in addition to any income earned. For example, by 1954, otherwise qualified single veterans with an annual income of \$1,399 received a pension in addition to their income, while veterans with an annual income just over \$1,400 received no pension.
- ◆ Benefits were not directly related to the financial needs of qualifying veterans. Benefit rates did not vary on the basis of the amount of the veteran's income or on the number of dependents. Neither the veteran's assets nor the assets of a spouse or other dependents were considered. However, the flat rate benefit system did not eliminate the incentive to work as long as the income earned did not push the veteran over the eligibility thresholds. There was no dollar-for-dollar reduction in pension for each additional dollar of income.
- ◆ There was neither a prescribed basis for evaluating whether the pension provided an adequate standard of living nor a means of maintaining a standard over time.

In 1955, President Eisenhower appointed the Commission on Veterans' Pensions, also known as the Bradley Commission, to review the veteran benefit programs. The Commission issued many recommendations intended to address what it believed were the major shortcomings of the existing Pension program. First, the Commission believed that allocation of pension should be targeted to provide the greatest benefit to those with the greatest financial need, where need is based on both income and assets. Second, the pension amount should be determined on a sliding scale, with only a partial offset for earned income so that there is an incentive for self-support through work. Third, only those who are incapable of rehabilitation and are unemployable should be eligible for pension. Fourth, benefit amounts should vary on the basis of family size.

The resulting Veterans' Pension Act of 1959 addressed some but not all of the previous program's shortcomings. The new pension benefit was a three-tier program that included increased benefits for larger families and for veterans who needed regular aid and attendance or were housebound. Eligibility for benefits and the benefit amount considered both the veterans' and the spouses' countable income.

Between 1964 and 1977, the pension law was amended nine times. The layering of these changes ultimately resulted in what Congress believed were inequities, anomalies, and distortions in the system. Congress, the Department of Veterans Affairs (VA), and stakeholders cited the following criticisms of the Pension program:

- ◆ Pension benefits were inadequate. The maximum benefit level for a veteran with no outside income was below the poverty level. Pensions for veterans with dependents and for surviving spouses were also below the poverty level.

CHAPTER 2. PROGRAM GOALS, OUTCOMES, AND MEASURES

- ◆ The multiple benefit increments and income decrement formulas were nearly impossible for veterans to understand.
- ◆ Cost-of-living increases in Social Security benefits were usually offset by reductions in pension.
- ◆ Benefits received were not always closely aligned with need. Exclusion from income of 10 percent of retirement income and all of a spouse's earned income resulted in payment of pensions for veterans whose non-pension income was well above the poverty level.
- ◆ Assets of the veteran's dependents for whom pension was payable were not included in the determination of eligibility.
- ◆ There was no provision for automatically adjusting or indexing pension rates.

In 1977, both the House and Senate introduced pension reform legislation. There was general agreement on the fundamental issues that needed to be resolved in the new law. They were the following:

- ◆ Assure a level of income above the minimum subsistence level, allowing veterans and their survivors to live in dignity and not have to resort to welfare assistance
- ◆ Provide the greatest pension for those with the greatest need while preserving incentives to work
- ◆ Guarantee regular increases to pensions that fully account for increases in the cost of living.

The Improved Pension authority provided a benefit level that was above the poverty level for veterans, but not for surviving spouses. Exhibit 2.2 illustrates the relationship between benefit amounts and the poverty level for family sizes of one and two in the new law. The veteran benefit was 13 percent above the poverty level for a family of one, but the benefit for a surviving spouse alone was nearly 25 percent below the poverty level.

Exhibit 2.2. Improved Pension Compared with Poverty Level—1977
(Public Law 95-588 as Enacted)

Family Size 1 (Poverty Level = \$3,140)				Family Size 2 (Poverty Level = \$4,160)	
Veteran		Surviving Spouse		Veteran with Spouse or Child	
Improved Pension Benefit	Difference from Poverty Level	Improved Death Pension Benefit	Difference from Poverty Level	Improved Pension Benefit	Difference from Poverty Level
\$3,550	13.1%	\$2,379	-24.2%	\$4,651	11.8%

Source: Study Team

The new benefit also recognized, through larger benefits, the increased income demands of a larger family, the need for aid and attendance, and being permanently housebound.

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Need was recognized through consideration of income and assets. Income and assets included the veteran's, the spouse's, and the children's income and assets if they were available to the veteran. Preservation of value was incorporated through automatic indexing to Social Security benefit cost-of-living adjustments. Consequently, no veteran lost any purchasing power when Social Security benefits were increased.

Public Law 90-77 (August 31, 1967) added attainment of age 65 as a basis for determining eligibility for pension. This feature was repealed in 1990,¹ but in 2001, Public Law 107-103 enacted statutory attainment of age 65 as a basis for eligibility for veterans.

Pensions for wartime veterans with nonservice-connected disabilities and for their survivors evolved over a long period of American history. The purposes and desired outcomes for the Pension program also evolved, particularly after World War I, when a permanent Pension program was enacted. Transitioning from Old Law Pension to Section 306 Pension to Improved Pension, Congress's views converged on the program features it believed were essential. The Improved Pension Program was constructed to reflect these values of ensuring a minimum level of income, to size benefits to need and preserve work incentives, and to sustain benefit value and purchasing power.

B. WHAT ARE THE PENSION PROGRAM OUTCOMES AND MEASURES?

The program outcomes for the VA Pension program, developed by VA in consultation with stakeholders before the start of this study, are the following:

Exhibit 2.3. Outcomes for the VA Pension Program

VA Pension Outcomes	
Access	Veterans and their families get the information and help they need to access, understand, and participate in the Pension program and related health care options.
Income	VA pension provides entitled wartime veterans and survivors the income they need to afford the basic necessities for themselves and their families.
Basic Security	Pensioners and their families can rely on the financial continuity and stability of VA pension in time of need.
Dignity	VA pensioners are accorded the dignity and respect earned through the veteran's service to our Nation during wartime.

Our review of the legislative history indicates that the Pension program is intended to help veterans and their families maintain a reasonable standard of living so that they do not have to resort to welfare assistance. However, the legislation for the Pension program does not provide a specific standard to

¹ By the Omnibus Budget Reconciliation Act (OBRA) of 1990, Public Law 101-508

CHAPTER 2. PROGRAM GOALS, OUTCOMES, AND MEASURES

meet or exceed, such as the poverty level threshold. The level of funding for the program establishes benefit levels. In 1977, when the last major reform occurred in the Pension program, funding levels placed veterans at 13 percent above poverty level and spouses at 24 percent below the poverty level (Exhibit 2.2). In 2002, the income limits for pension eligibility were 8 percent above poverty level for a veteran and 27 percent below poverty level for a spouse.² Whether these income levels can be expected to provide a basic level of maintenance is questionable. Hence, it is difficult to determine definitively whether program goals are being met.

The legislative intent also includes three other elements that dictate outcomes; they are the following:

- ◆ Pension benefits should not replace work and earnings from work.
- ◆ Pension benefits should provide recognition for the veteran's service to the Nation as well as for the loss of a veteran spouse who had served our country during wartime.
- ◆ Pension program should guarantee regular increases in pension benefit amounts that fully account for increases in the cost of living.

Access

1. What percentage of the eligible population participates in the VA Pension program?

According to the results of this study, 27 percent of veterans and 14 percent of the eligible spouses population participate in the VA Pension program. We do not know enough about the eligible unserved population to recommend a particular target for the participation rate. For example, we do not know the potential level of interest for unserved eligible veterans and spouses to participate in the program. However, the current participation rates are so low that effort should be made to increase them, and the results of such effort should be reviewed to further specify the goal for participation. Comparatively, 32 percent of the population eligible for food stamps participates in the Food Stamp Program. Initiatives are now underway at the Food and Nutrition Service (FNS) to increase the participation rate in the Food Stamp Program.

2. Are eligible veterans and spouses aware of the VA Pension program?

Since only 27 percent of the eligible veterans and 14 percent of the eligible spouses population participated in the VA Pension program in 2001, the implication is that awareness is low. About 51 percent of the veteran survey respondents and 32 percent of the spouse survey respondents said they were eligible to receive a VA pension for an average of 11 and 5 years, respectively, before they applied. About one-third of the veterans who did not apply when they first became eligible said they did not apply sooner because they were not aware of the program, 6 percent did not know how to apply, and 20 percent thought they would be ineligible. Nearly a quarter of the spouses who did not apply for benefits when they first became eligible because they were not aware of the program, 15 percent thought they would not be eligible, and 10 percent did not know how to apply.

² 2002 income eligibility cutoff for a single veteran is \$9,566 and \$6,497 for a spouse. The Department of Health and Human Services Poverty Guidelines for 2002 is the poverty level, line, and guideline used in this report. For families in the U.S. mainland, the poverty line is \$8,860 + (family size – 1) * 3080. For families in Alaska, the poverty line is \$11,080 + (family size – 1) * 3850. For families in Hawaii, the poverty line is \$10,020 + (family size – 1) * 3,540. We used survey data to determine household size.

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3. Do eligibility determination and income verification facilitate access to the program?

Some stakeholders expressed concern that burdensome aspects of the eligibility determination process may adversely affect timely access to the benefits.

One measure of the access outcome is the participant's satisfaction with the application process. Recent program beneficiaries (who began receiving benefits after 2000) were asked to recall their more recent enrollment experiences with the VA application process. The enrollment experiences of these veterans and spouses suggest that most new beneficiaries perceive the application process to be relatively easy, meeting some degree of difficulty in getting responses back from VA on the status of applications and in completing the necessary income and medical documentation. However, about 95 percent of the recent applicants also said that they had assistance in the application process. Eligible nonparticipants in focus groups expressed concern about the length and complexity of the application. Eligible nonparticipants were apprehensive about whether it would be worth the effort to complete the form—whether they would be eligible, whether VA benefits would reduce the other types of need-based assistance they already receive, and how long it would take to assemble the information and learn the outcome.

The amount of time that it takes VA to start dispensing the benefit affects the outcome of VA's obligation to deliver benefits effectively—making sure that the benefit is delivered on time and determining that only eligible applicants receive the correct benefit. Recent data (2002) show that VA takes 122.4 days to process an original claim for pension benefits for veterans and 133.7 days for spouses. Compared with other programs, Supplemental Security Income (SSI) applicants wait 90 to 120 days for the initial claim; the Department of Housing and Urban Development (HUD) can take 3 to 5 years to provide housing assistance, depending on housing availability, but determines eligibility within 30 days; and the Department of Agriculture's (USDA) Food Stamp Program, by law, is required to process applications within 30 days.

The study team's assessment of the access outcome is that once an applicant is found eligible for the Pension program, VA has effective procedures and processes to provide relevant information about the program, verify overpayment amount, or deny benefits to ineligible applicants. Our analysis also reveals that VA can do a better job reaching the members of the unserved population who either are not aware of the program or do not think that they are eligible.

Compared with other assistance programs, the income verification process for VA is less cumbersome. VA income verification (which is conducted annually) requires manual entry of the first-time claim information into the system, but subsequent verifications are more automated. The SSI program requires income-matching monthly, which creates extra effort from the recipient and SSI employees. The HUD and food stamp programs require recertification every 3 months and monthly, respectively, although some food stamp programs relaxed the requirement to every 3 months.

Income Support

I. What is the total annual income of participants in the Pension program? Is it enough to provide the basic necessities of living?

The pension benefit payment is tied directly to the participant's income. While the legislation does not specify a certain standard for income support, a reasonable interpretation of the legislation is that veterans and their families should have sufficient income to meet a basic standard of living. As stated previously in the discussion of legislative intent, the program intends to provide the pension benefit recipients with the income they need to afford the basic necessities for themselves and their families.

The study team recommends using the poverty guideline³ as a reference in gauging the income support outcome, as many other assistance programs do. Only 17 percent of surviving spouse and 85 percent of veteran Pension program participants meet or exceed the poverty level. Welfare assistance from other non-cash programs such as food stamps and housing assistance increases this percentage to only 23 percent for the spouses and 86 percent for the veterans. The VA pension benefit constitutes an average of 51 percent of veterans' and 42 percent of spouses' total household income, including the cash value of assistance from programs such as food stamps and housing assistance.

The expectation that deceased veterans were a source of financial support for needy spouses is substantiated by the survey. More than half (59%) of the spouses received all of their income from the deceased veteran before his or her death, and nearly all (90%) received some financial support from the deceased veteran when he or she was alive. Thirty-eight percent of the spouses who began receiving benefits in 2000 reported a decrease in their current household income, compared with their income before they received VA benefits, and the decrease was about 27 percent. The pension benefits spouses receive are intended to compensate for the loss of income from the deceased veteran, but overall, the current income of spouses is 79 percent of the income they reported when the veteran was alive. The average age at which spouses begin receiving pension benefits is 65, and one-third of the spouses reported that they met the need requirements for the program on average at the age of 57. The average age they were widowed is 55. The low educational levels of spouses (60 percent do not have a high school diploma, and 26 percent have an eighth-grade education or lower) and the death of their spouse are likely explanations of their financial need before age 65. If the veteran were alive, he or she would probably contribute to the financial support of such spouses before age 65 and into the older years.

Veterans who began receiving benefits in 2000 report that VA pension improved their financial situation. Veterans' pension compares favorably to non-VA cash benefit programs for maximum benefit amounts, but the spouse's pension does not. The maximum benefit amount of \$541 per month (effective December 1, 2002) for a spouse with no dependents is almost the same as the maximum SSI amount of \$545 per month for a single person. The SSI program is intended as the program of "last resort" for the needy population. However, spouses who receive a VA pension may not qualify for SSI benefits because SSI would count the VA pension as income against SSI.

³ The poverty line is based on the Department of Health and Human Services Poverty Guidelines for 2002. For families in the U.S. mainland, the poverty line is $\$8,860 + (\text{family size} - 1) * 3,080$. For families in Alaska, the poverty line is $\$11,080 + (\text{family size} - 1) * 3,850$. For families in Hawaii, the poverty line is $\$10,020 + (\text{family size} - 1) * 3,540$. We used survey data to determine household size.

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Spouses' incomes, on average, are less, compared with their counterparts in the elderly,⁴ means-tested⁵ population. Comparing the veteran pension participants with the general elderly, means-tested population who receive assistance from Federal programs, the picture is mixed. On one hand, there are fewer veteran pensioners living at or below the poverty line, compared with the general elderly, means-tested population; the average income of poor (those at or below the poverty line) veteran pensioners is higher than the average income of the poor general elderly means-tested population. On the other hand, the average income of nonpoor veteran pensioners and of overall veteran pensioners is much less than the average income of the general means-tested populations. Veteran pensioners are also less likely to have earned income and other retirement income than the general elderly, means-tested population.

2. Has the program effectively increased income for participants, which they would not have without the program?

The answer to this question is largely yes. On average, the Pension program provides about half (51%) of the veterans' income and almost half (42%) of spouses' income. Without the pension benefit, veterans and spouses would have much smaller cash incomes and would have to go on welfare, which is contrary to the intent of the program. If veterans and spouses received cash income from welfare, it would most likely be from the Supplemental Security Income Program, which has lower benefits than VA pension for veterans and slightly higher benefits than VA pension for spouses.

3. Is income support greater for those with greater needs?

Pension benefit levels are tied to income. Pension applicants with higher incomes receive lower benefit amounts, which indicate that greater support is provided for those with greater need. The pensioners' medical expenses reduce countable income, also providing greater support to those with greater need. Veterans and spouses with incomes above maximum limits are determined ineligible for benefits.

Basic Security

1. Do participants have a stable, long-term financial situation?

While pension benefits are relatively modest, the program offers a stable source of income for participants. Ninety-two percent of the veterans and 90 percent of the spouses who participate in the program receive the benefit continuously. Almost half of veterans (48%) and 57 percent of spouses have been receiving the benefit for more than 5 years. Nine percent of veterans and 15 percent of spouses have been receiving the benefit for more than 20 years. The average time during which pensioners receive benefits is about 8.3 years for veterans and 8.6 years for spouses.

⁴ In this study, we define elderly as anyone 65 years old or older.

⁵ The "means-tested general population" refers to those in the general population who receive Supplemental Security Income, welfare/Temporary Assistance for Needy Families, food stamps, or housing subsidy. All of these Federal benefits are based on economic need and applicants must demonstrate financial need to receive them. We use "need-based" as synonymous with means-tested in this report.

CHAPTER 2. PROGRAM GOALS, OUTCOMES, AND MEASURES

2. Does the program provide regular increases to the benefit amounts that fully account for increases in the cost of living?

The program is indexed the same way among survey respondents who began receiving benefits at least two years ago, as Social Security so that the purchasing power of the pension benefit does not erode over time. Among survey respondents who began receiving benefits at least two years ago, veterans and spouses who began receiving benefits at least two years before the survey period were asked about how well benefit increases keep up with cost-of-living increases. However, 25 percent of the veterans and 21 percent of the spouses feel that pension benefit amounts do not keep up with their overall increases in living expenses at all. In addition, 46 percent of veterans and 53 percent of spouses indicate that the increases in benefit amounts cover only some of their living expense increases.

3. Does the program provide a basic sense of financial security to pensioners?

Pension beneficiaries believe that their benefit provides either moderate or little financial security. Overall, 54 percent of veterans and 48 percent of spouses surveyed rate their benefit as providing moderate or little financial security, and 17 percent of veterans and 13 percent of spouses rate their benefit as providing none or very little financial security. In assessing their financial situation, 44 percent of the veterans and 43 percent of the spouses surveyed can afford only the basic necessities, having little or no money left for other expenses, while 20 percent of veterans and 25 percent of spouses indicate that their lifestyle is defined by having to make major sacrifices and cut back on necessities. Only 13 percent of the veterans and 10 percent of the spouses say they can take care of their living expenses and have some money left over. Consequently, this program provides some financial security but does not produce much financial security.

Work

Do VA Pension benefits displace work?

Work displacement is not an issue in this program. The average age of participants is 68 for veterans and 71 for spouses; 63 percent of veterans and 72 percent of spouses are over age 65. The 37 percent of veterans and 28 percent of spouses who are under age 65 include only 5 percent of veterans and 12 percent of spouses who are working or looking for a job. Among those who are under age 65 and not looking for a job, 95 percent of veterans and 71 percent of spouses reported that they have disabilities or health problems that prevent them from working. Only 10 percent of spouses and 35 percent of veterans reported that they enrolled in the program because they stopped working. Among those who stopped working, almost all (91%) the veterans and almost two-thirds of spouses (64%) did so for health reasons. Among those not looking for work, 2 percent of veterans say they are not looking for work because every dollar earned would reduce their pension; 7 percent of spouses not looking for work gave this answer as well (Appendices D and E, Table 57.3).

CHAPTER 2. PROGRAM GOALS, OUTCOMES, AND MEASURES

Recognition

Does VA Pension provide recognition for the loss of a spouse to military service or for the veteran's own service to our Nation?

Most survey respondents (90% of spouses and 86% of veterans) stated that the Nation recognizes their veteran's service to our country. Nearly all veterans and spouses report pride in service to our country: 98 percent of veterans say they are proud to be a veteran and 97 percent of spouses say they are proud to be the spouse of a veteran.

C. HOW SHOULD THE OUTCOMES BE MONITORED?

The study team recommends a select group of outcome measures to be used for ongoing monitoring of outcomes in the Pension program. The select measures, based on VA administrative data and secondary data sources, include the following:

- ◆ Percentage of program participants at or above the poverty level
- ◆ Percentage of program participants at or above the poverty level, compared with the means-tested, elderly population
- ◆ Percentage of the eligible population participating in the program

These measures would be calculated similarly to the methods used in the present study.⁶ The following select measures could be obtained through annual or regular recurring surveys of program participants:

- ◆ Percentage of program participants who feel that they can afford the basic necessities—food, housing, medical care, heating and cooling services (where appropriate), and electricity
 - Food should be measured as enough money to obtain balanced meals.
 - Housing should be measured as enough money for safe and decent shelter without crowding.
 - Utilities (heating, cooling, and electricity) should be measured as enough money to pay for heating, cooling services (where needed) and electricity.
 - Medical care should be measured as enough money to provide needed medical services, including regular checkups, prescriptions, eyeglasses, and dental care.
- ◆ Average level of satisfaction with VA services
- ◆ Average level of overall satisfaction with the program.

The annual outcome measures constitute only a small subset of the measures analyzed in the evaluation, but they focus on the key outcomes that are of ongoing interest to VA and Congress.

⁶ Since the evaluation includes future projections of eligibles, it is not necessary for VA to re-calculate participation. Rather, VA can compare actual participation against the future projections of all eligibles contained in this report.

CHAPTER 2. PROGRAM GOALS, OUTCOMES, AND MEASURES

The effort for producing the annual measures can draw on the work done in the evaluation. VA could analyze its administrative data and the Current Population Survey (CPS).⁷ It could administer a survey to obtain participants' assessments of outcomes relative to their needs. The survey questions would be limited to the brief set of measures listed above and would not constitute the extensive questioning that occurred in the evaluation. We encourage VA to use a mail survey to collect this data, with electronic scanning to record answers. The mail survey can be sent with the Eligibility Verification Reports (EVRs) or as a separate mailing to a nationally representative sample of pensioners. The minimum sample size should be about 400 to provide reliable national estimates within 4 percent error rate at the 90 percent confidence level. The survey should be conducted periodically—at least every 3 to 4 years—to monitor the adequacy of benefits relative to participants' needs. If major policy changes occur in programs affecting beneficiaries (e.g., increases in Medicare copayments, reductions in Social Security cost-of-living adjustments), VA should survey participants to assess whether the pension benefit adequately meets their needs.

The cost for ongoing performance monitoring is estimated at about \$150,000 per year⁸ for each group (veterans and spouses) to include analysis of administrative and CPS data and to conduct and process participant surveys.

⁷ CPS is a monthly survey conducted by the U.S. Census Bureau of the U.S. civilian, noninstitutionalized population.

⁸ Our estimate is based on the following breakdown: Survey—\$85,000; CPS analysis—\$20,000; Administrative data analysis—\$20,000; and Synthesis of results—\$25,000. Actual costs could vary, depending on approaches used.

CHAPTER 3. ACCESS, PARTICIPATION, AND NONPARTICIPATION

This chapter focuses on how VA pension recipients gain access to and begin to participate in the VA Pension program. It depicts factors influencing respondents' decision to access the program, summarizes strategies that they use to access the program, and presents their ratings of the application process. It also addresses the issue of nonparticipation—how many eligible veterans and spouses of deceased veterans fail to participate in the program and why.

A. HOW DO RESPONDENTS BECOME AWARE OF THE VA PENSION PROGRAM?

Exhibit 3.1 presents veterans' most cited information sources for finding out about the VA Pension program. Overall, most of the veterans surveyed became aware of the VA Pension program through the Department of Veterans Affairs (VA) (43%) or Veteran Service Organizations (VSOs) (24%). However, no one learned about the program from the VA Web site. Veterans 80 years of age or older are less likely to learn about the VA Pension program from VA (37%) or VSOs (19%) than younger respondents (Appendix D, Table 7).

Exhibit 3.1. Most Cited Information Sources for Finding Out About VA Pension Program

Organizations or Individuals	Percentage of Veterans	Organizations or Individuals	Percentage of Spouses
VA	43.1%	Spouse received pension, so was aware of the program	35.9%
Veterans Service Organizations	24.4%	VA	33.6%
Hospital	12.3%	Family	12.5%
Friends	8.3%	Friends	10.5%
Military	7.7%	Veterans Service Organizations	9.7%
Social Security office	6.4%	Social Security office	5.2%
Family	5.2%	Funeral home	4.2%

Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 7

A different pattern of the results was found for the spouses. Overall, most of the spouses surveyed became aware of the VA Pension program because the deceased veteran was receiving VA pension (36%) or they learned about the program directly from VA (34%). However, less than 10 percent learned of the program through a VSO; no one became aware of the program from the VA Web site. Spouses with children are more likely to become aware of the program from the deceased veterans (43%) (Appendix E, Table 7).

B. WHAT ARE THE CIRCUMSTANCES LEADING UP TO PARTICIPATION IN THE VA PENSION PROGRAM?

Veterans most often apply to the program either due to a serious illness (62%) or because they recently became aware of the program's existence (54%) (Exhibit 3.2.a). Veterans also apply for VA pension benefits because they stop working (35%), lack sufficient financial resources (21%), or because their savings and investments are depleted (13%). The vast majority of the veterans who apply for the pension because they stop working do so for health reasons or because of a disability that prevents them from working (91%) (Appendix D, Table 4.6.1). Interestingly, the percentage of veterans who apply for VA pension due to serious illness decreases by age group. Seventy percent of veterans younger than 64 years of age, 60 percent of those aged 65–79, and 52 percent of veterans 80 years of age or older apply for the benefit due to health conditions (Appendix D, Table 4). However, veterans 80 years of age or older are more likely to apply, due to the lack of sufficient financial resources (28%) or because of their depleted savings and investments (17%), than younger respondents.

Exhibit 3.2.a. Reasons Most Cited by Veterans for Applying for VA Benefits

Circumstances That Lead Veterans To Apply for VA Benefits	Percentage of Veterans
Serious illness, deteriorating health, or chronic health condition	62.2%
Found out that they might be eligible for the benefits	54.2%
Stopped working	35.2%
Insufficient income and no investments, savings, or assets	21.3%
Used up investments, savings, or assets	12.6%
Turned 65 years of age	12.0%

Source: Survey of Veteran Pensioners, Appendix D, Table 4

Conversely, spouses most often apply to the program due to the death of the veteran (80%) (Exhibit 3.2.b). Other most frequently cited reasons to apply for VA pension benefits include becoming aware of the program's existence (33%), lack of sufficient financial resources (32%), serious illness (29%), depletion of the savings and investments (20%), and spouses stopping work (10%). Most of the spouses who apply for the pension because they stop working do so for health reasons or because of a disability that prevents them from working (64%) (Appendix E, Table 4.6.1). Similarly to the veterans, the percentage of spouses who apply for VA pension due to serious illness decreases with age. One-third of spouses younger than 65 years of age, 29 percent of those aged 65–79, and 28 percent of spouses 80 years of age or older apply for the benefit due to health conditions (Appendix E, Table 4). However, spouses 80 years of age or older are more likely to apply due to insufficient financial resources (34%) than younger respondents. Spouses with children are the most likely to apply for the program because they do not have sufficient financial resources (45%).

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Exhibit 3.2.b. Reasons Most Cited by Spouses for Applying for VA Benefits

Circumstances That Lead Spouses to Apply for VA benefits	Percentage of Spouses
Death of the veteran	80.4%
Found out that they might be eligible for the benefits	33.3%
Insufficient income and no investments, savings, or assets	32.5%
Serious illness, deteriorating health, or chronic health condition	29.4%
Used up investments, savings, or assets	19.7%
Stopped working	10.3%
Turned 65 years of age	6.6%

Source: Survey of Spouse Pensioners, Appendix E, Table 4

C. WHAT IS THE APPLICATION EXPERIENCE?

The overall percentage of respondents who applied to the VA Pension program since 2000 is 21 percent (the same percentage of veterans and spouses). These recent pension recipients were asked in the survey to recall their application experiences to ascertain the conditions under which they applied for the program. The largest percentage of new enrollees (47% of veterans and 40% of spouses) applied for the VA pension in person (Appendices D and E, Table 9). About one-third (29% of veterans and 33% of spouses) indicate that someone applied to the program on their behalf. Twenty-two percent of respondents (the same percentage of veterans and spouses) filled out an application and mailed it in. No one applied for VA pension using the Internet.

Recent program beneficiaries (who began receiving benefits in 2000) were also asked to recall their experiences with the pension application process. Most new beneficiaries perceive the application process as being relatively fast and easy. Most of the recent program recipients find the time between applying for and receiving VA benefits to be either what they expected (38% of veterans and 43% of spouses) or even shorter than they expected (26% of veterans and 24% of spouses) (Appendices D and E, Table 77). A substantial minority of the recent beneficiaries find the time between applying for and receiving benefits to be longer than expected (30% of veterans and 25% of spouses) and report that delays in receiving VA benefits caused them difficulty paying for their living expenses (83% of veterans and 56% of spouses).

In addition to the perceived quickness of the VA application process, about three-fourths of the newly enrolled recipients have positive views of the overall application process, including finding out and applying for VA pension benefits (69% of veterans and 82% of spouses rate the overall process as very easy, easy, or somewhat easy) (Appendices D and E, Table 76). A majority of the recent program beneficiaries also rate other aspects of the application process as easy, somewhat easy, or very easy. However, the pattern of the results is different for veterans and spouses. Veterans are likely to positively rate getting help from VA or VSO staff in obtaining information and filling out forms (80%), filling out the application (77%), calling the VA toll-free telephone number (65%), trying to find out about VA benefits (62%), and completing and sending other forms and documents needed to prove eligibility (61%). The veterans give less positive ratings to the processes of getting information from VA about the

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status of the application in the review process (54%), understanding how eligibility and benefit amounts are determined (49%), and completing and sending medical expense documents (44%). Most spouses are likely to positively rate finding out about VA benefits (82%), getting help from VA or VSO staff in obtaining information and filling out forms (79%), filling out the application (76%), completing and sending other forms and documents needed to prove eligibility (68%), calling the VA toll-free telephone number (63%), getting information from VA about the status of the application in the review process (62%), and understanding how eligibility and benefit amount are determined (60%). A smaller majority of spouses rate the process of completing and sending medical expenses documents (52%) as somewhat easy, easy, or very easy.

Despite the reported ease of the various aspects of the application process, 94 percent of the new enrollees (the same percentage of veterans and spouses) report needing help with the application process. Of those who need help, 93 percent of veterans and 97 percent of spouses get help from someone (Appendices D and E, Table 10.1). The most frequently used source of assistance is VA (58% of veterans and 56% of spouses), followed by VSOs (22% of veterans and 15% of spouses), and family members (7% of veterans and 18% of spouses). However, respondents 80 years of age and older are less likely to receive help from VA (48% of veterans and 44% of spouses) or VSOs (20% of veterans and 7% of spouses) than younger respondents. Furthermore, spouses 80 years of age and older are more likely to rely on family (30%) than younger respondents.

D. WHAT ARE THE PROJECTIONS FOR FUTURE PARTICIPATION?

One study requirement is to provide a projection of the number of recipients of Improved Pension for veterans and of pension for spouses through 2020. The underlying premise for the analysis is to understand how changes in demographics and labor market forces will affect the number of program participants receiving benefits. As labor markets tighten and slacken, the effects on earned incomes can have secondary impacts on the number of individuals who satisfy the income limits for each program.

Our intended approach was to analyze local unemployment rates with additions to and terminations from the pension rolls to determine whether regional variances in program participation are explained by regional changes in unemployment. However, VA was not able to provide local level data on pension program adds and drops. Without local data, we were left with analysis of national level data. We were unable to detect any statistical relationship between changes in program participation and employment, primarily because there was little variability in national unemployment rates during the years we examined.

Because we were unable to obtain information on the past interaction of veterans' pension and the labor market, we are unable to include any influence that labor markets may have on the number of program participants. Although our projection does not explicitly include labor market factors, it includes the influences of demographics.

Despite the lack of a more robust analysis, the survey results we obtained and the smooth growth in program participation over recent years lead us to conclude that economic factors such as unemployment do not have a significant impact on qualification for pension benefits.

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During the early phases of our analysis and data collection, the VA Office of the Actuary recommended that the Study Team use a recent PricewaterhouseCoopers (PWC) report, which projects future benefit liabilities in conjunction with VA's financial statements. This report includes a projection of the number of veterans and surviving spouses who receive pension benefits through 2025. The projections are based on a veteran population projection known as VetPop2001. VetPop2001 is an actuarial model for estimating and projecting the number of veterans for the next 100 years. The model is based on veteran data collected from the decennial census, the Department of Defense, and the VA Compensation and Pension Service. VetPop2001 provides current profiles and projections of the veteran population that consider classification variables such as age, gender, period of service, disability status, and whether the veteran is living or deceased. The model also provides projections of dependents and survivors.

The projections assume a continuing improvement in life expectancy. After reviewing the PWC report and the underlying projection assumptions and methods, we conclude that the report presents valid projections of the number of pension beneficiaries.

We also use the PWC report as a basis for projecting the duration, which is the average number of years that veterans or surviving spouses or children will receive pension once they qualify for benefits. The PWC report is a "closed group"¹ projection and, as such, understates the projected number of veterans who ultimately receive a pension.

The PWC projection for pension includes all three pension programs, Section 306 Pension, Protected Pension (also known as "Old Law"), and Improved Pension. Our projection modifies the PWC figures to estimate the number of beneficiaries who will be receiving Improved Pension only. Approximately 95 percent of pension recipients are receiving Improved Pension in 2003, and this proportion will increase as mortality thins the ranks of the older program beneficiaries. However, even by 2025, we believe that a small number of these beneficiaries will remain on the rolls. Consequently, we assume that by 2025, 0.5 percent of all pension beneficiaries will participate in either the Section 306 or the Protected Pension program. Applying this assumption to the PWC projection of total pension beneficiaries results in the projection through 2014 shown in Exhibit 3.3.

Exhibit 3.3. Projected Number and Duration of Veterans Receiving Improved Pension, and Number if All Eligibles Participated

Year	Number of Beneficiaries	Average Duration (Years)	Number of Beneficiaries if All Eligibles Participated
2003	317,000	7.0	1,205,000
2005	331,000	6.8	1,180,000
2010	290,000	6.5	1,038,000
2014	255,000	6.2	910,000

Source: Study Team from VBA data and PricewaterhouseCoopers Report Estimates rounded to the nearest thousand

¹ A closed group projection assumes that there will be no new entrants, counting only current veterans and service members. Therefore, the first few years of the projections are the most accurate, and future projections tend to understate participation.

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The third column in the exhibit is the average duration of beneficiaries at the end of the year. Duration measures the average time that the population of beneficiaries has been on the rolls in a given year. As illustrated in Exhibit 3.3, the average duration declines by slightly less than 1 year by 2014 as the number of new veterans added to the rolls increases as a proportion of the number of veterans leaving the rolls due to death or other causes.

The last column in the table shows the projected number of beneficiaries if all eligible veterans participated. The projection is obtained by incorporating the results from our analysis of the unserved population discussed later in this chapter.

The PWC report projects the number of surviving spouses receiving pension from all programs, but the projection does not include children. We modified the PWC estimate to include this population and to limit the projection to Improved Pension for spouses. We again assumed that by 2025, 0.5 percent of the spouses will be receiving pension from either the Section 306 or the Protected Pension programs.

Exhibit 3.4 contains the projection of spouse pension beneficiaries (surviving spouses and children) through 2014.

Exhibit 3.4. Projected Number of Surviving Spouse and Child Beneficiaries, Duration, and Number if All Eligibles Participated in Improved Pension

Year	Number of Surviving Families with Benefits	Average Duration (Years)	Number of Surviving Families if All Eligibles Participated
2003	156,000	7.7	1,266,000
2005	166,000	7.8	1,306,000
2010	167,000	7.8	1,317,000
2014	160,000	7.7	1,260,000

Source: Study Team from VBA data and PricewaterhouseCoopers Estimates rounded to the nearest thousand

Exhibit 3.4 shows that the average duration remains fairly constant through 2014. This is the opposite case for veterans, for whom the number of new beneficiaries each year is a larger proportion of the number of beneficiaries at the end of each year, causing the average duration to decrease. The last column in the exhibit shows the projected population of beneficiaries if all eligible surviving spouses and children participated.

E. HOW MANY ELIGIBLE RESPONDENTS DO NOT PARTICIPATE IN THE VA PENSION PROGRAM?

One research question in the study asks how many veterans and spouses are eligible but do not participate in the VA Pension program. The following paragraphs summarize how we estimated the eligible but unserved populations, first for veterans then for spouses, and presents the estimates that we reached. The complete methodology is stated in the September 29, 2004 Memorandum of Understanding available from the Office of the Actuary at VA.

For veterans, our estimation approach began with the total veteran population that meets the requirements for service during a period of war. From VetPop2001, we estimated that 19,400,000 veterans served during a period of war as of December 31, 2001.

Veterans have to serve a minimum period of service to be eligible for a pension. We excluded the number who would not be eligible because of duration of service using data from Census 2000 and the Defense Manpower Data Center (DMDC). We then estimated the proportion of disabled veterans under age 65. Veterans aged 65 and older do not need to show a disability to receive a benefit. The rate of disability was determined by referring to the disability information from Census 2000 and from Social Security Administration.

We then determined the percentage of each age group who reported income below the limit needed to receive benefits from Census 2000. These calculations determined the baseline percentage of veterans eligible for but not receiving pension as of September 30, 2001. We projected these numbers through fiscal year 2014, assuming that the percentage of veterans eligible for but not receiving pension was a constant percentage of the total number of veterans as projected in VetPop. Exhibit 3.5 shows the low and high estimates of the unserved veterans using a Monte Carlo statistical method with a range of estimation error on the primary variables. The estimation of error for the variables increases by 1 percent with each projection year; so the low and high estimates diverge from the mean with each additional projection year.

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Exhibit 3.5. Estimate of the Number of Unserved Veterans

Fiscal Year	Estimate of the Unserved Eligible Population		
	Low Estimate	Mean Estimate	High Estimate
2002	802,000	905,000	1,005,000
2003	777,000	888,000	996,000
2004	751,000	871,000	987,000
2005	724,000	853,000	979,000
2006	696,000	835,000	970,000
2007	665,000	815,000	960,000
2008	633,000	794,000	949,000
2009	600,000	771,000	937,000
2010	565,000	748,000	925,000
2011	530,000	724,000	913,000
2012	494,000	701,000	902,000
2013	457,000	678,000	891,000
2014	421,000	655,000	882,000

Source: Study Team from VetPop2001, Census 2000, Current Population Survey, and Social Security Administration data Estimates rounded to nearest thousand

The estimate of the number of surviving spouses eligible for but not receiving a pension follows a similar development. Full details of the estimate are in the Memorandum of Understanding of September 29, 2004 available from the Office of the Actuary of VA. We began by determining the total number of surviving spouses who will be eligible for a pension if they meet the income requirements. The number of surviving spouses, 8,120,000 as of December 31, 2001, was determined from VetPop2001 and is composed of unremarried surviving spouses of veterans of a period of war.

The total number of surviving spouses was reduced by the probability that the veteran had met the minimum service requirements for the spouse to be eligible for a benefit. The result was further reduced by the probability that the surviving spouse had income below the Pension program limits as of December 30, 2001, from CPS data. The number of surviving spouses was increased by the proportion of “child only” families in VBA data as of December 30, 2001.

Exhibit 3.6. shows the estimates of the mean number of surviving families eligible for but not receiving, or not expected to receive, a pension. It also shows the low and high estimates of the unserved surviving families using a Monte Carlo statistical method with a range of estimation error on the primary variables. The estimation of error for the variables increases by 1 percent with each projection year; so the low and high estimates diverge from the mean with each additional projection year.

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Exhibit 3.6. Estimated Surviving Families Eligible to Receive Pension

Fiscal Year	Low Estimate	Mean Estimate	High Estimate
2002	1,000,000	1,090,000	1,200,000
2003	1,000,000	1,110,000	1,220,000
2004	1,010,000	1,120,000	1,250,000
2005	1,010,000	1,140,000	1,280,000
2006	1,000,000	1,150,000	1,300,000
2007	990,000	1,150,000	1,320,000
2008	980,000	1,160,000	1,340,000
2009	960,000	1,160,000	1,360,000
2010	940,000	1,150,000	1,380,000
2011	910,000	1,150,000	1,390,000
2012	880,000	1,140,000	1,410,000
2013	840,000	1,120,000	1,410,000
2014	800,000	1,100,000	1,420,000

Source: Veterans Benefits Administration Master Record Extract (Through December 2001)
Prepared by Data Management Office, Table 15: Current Population Survey
(<http://www.bls.census.gov/cps/ads/sdata.htm>) Estimates rounded to nearest million

F. WHAT ARE THE REASONS FOR NONPARTICIPATION?

Fifty-one percent of all veteran pensioners report having been eligible for VA pension for an average of 11 years before they applied (Appendix D, Table 8.2x). In comparison, almost one-third of the spouses (32%) report having been eligible for VA pension for an average of 5 years before they applied (Appendix E, Table 8.2x). Recent veterans and spouses report similar results, except that on average, slightly higher percentages were eligible (53% of recent veterans and 36% of recent spouses) before they applied, and spouses say they were eligible for a longer period of time (11 years for recent veterans and 7 years for recent spouses). Exhibit 3.7.a summarizes veterans' most frequently cited reasons for not applying for a VA pension sooner, while Exhibit 3.7.b presents the same information for the spouses. Unawareness of the VA Pension program (19% of all veterans and 8% of all spouses; 23% and 10%, respectively for recent veterans and spouses) and erroneous knowledge of the eligibility criteria (10% of the all veterans and 5% of all spouses; 8% and 8%, respectively for recent veterans and spouses) are the most frequently reported reasons for not applying for a VA pension sooner. Pride is also an important reason why VA pension recipients decide not to apply for VA benefits sooner—3 percent of all veterans and 4 percent of spouses, and 9 percent of recent veterans and 5 percent of recent spouses did not “want or need the pension.” Pride appears to be more prevalent among older respondents. Although respondents 80 years of age or older are more likely to apply for the VA benefits due to financial reasons (See Section B), the oldest VA pensioners are also more likely than younger respondents to report that they do not have the want or need to apply (12% of all veterans over age 80 and 7% of all spouses over age 80).

In interpreting the differences between veterans and spouses, it is important to consider that 36 percent of all spouses and 31 percent of recent spouses (Appendix E, Table 7) learned of VA's pension program because their spouse (the deceased veteran) received a pension when he or she was alive. That is probably why awareness for participating spouses is higher. However, it would not be reasonable to generalize this to *nonparticipating* spouses, since they are less likely to be spouses of veteran pensioners.

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Exhibit 3.7.a. Reasons Most Cited by Veterans for Not Applying for VA Benefits Sooner

Reasons for not Applying for VA Benefits Sooner	Percentage of All Veterans Who Were Eligible for VA Benefits for Some Time Before They Applied	Percentage of Recent Veterans Who Were Eligible for VA Benefits for Some Time Before They Applied
Was not aware of VA benefits	18.8%	23.1%
Thought I would not be eligible	10.2%	7.6%
Did not want it or need it	8.6%	9.3%
Was found ineligible earlier	8.1%	8.6%
Did not know how to apply	3.2%	4.5%
Total eligible before they applied	346	223
Percentage eligible before they applied	51.1%	53.1%

Source: Survey of Veteran Pensioners Appendix D, Table 8.2.X

Exhibit 3.7.b. Reasons Most Cited by Spouses for Not Applying for VA Benefits Sooner

Reasons for not Applying for VA Benefits Sooner	Percentage of Spouses Who Were Eligible for VA Benefits for Some Time Before They Applied	Percentage of Recent Spouses Who Were Eligible for VA Benefits for Some Time Before They Applied
Was not aware of VA benefits	7.7%	10.1%
Thought I would not be eligible	4.8%	8.2%
Depression, bereavement, or coping with loss	3.9%	2.9%
Did not want it or need it	3.7%	4.8%
Did not know how to apply	3.2%	3.6%
Was found ineligible earlier	2.0%	3.4%
Total eligible before they applied	210	150
Percentage eligible before they applied	32.4%	36.1%

Source: Survey of Spouse Pensioners, Appendix E, Table 8.2.X

G. WHAT ARE THE RESULTS OF FOCUS GROUP DISCUSSIONS WITH ELIGIBLE BUT NONPARTICIPATING VETERANS, SPOUSES, AND CAREGIVERS?

The study methods included focus groups to elicit information on reasons for nonparticipation. We targeted the Los Angeles and Washington, DC areas to locate eligible nonparticipants for the VA Pension program. In Los Angeles we recruited residents of a low-income elderly housing project subsidized by HUD. Of the 1,200 residents, 6 identified themselves as potentially eligible for veteran or spouse pension benefits. In the Washington, DC area we secured the services of a local market

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research organization to recruit a group of caregivers of unserved individuals who are eligible for pension. That effort yielded caregivers who managed the affairs of 12 veterans and spouses.

The findings of the focus group provide insights into the barriers to participation, which are discussed below.

- ♦ **The greatest barrier to participation is that eligible veterans and spouses and their caregivers are unaware of the VA Pension program.** Low-income veterans, spouses, and caregivers of low-income veterans and spouses tell us that they are completely unaware that the program exists and that they might be eligible for VA pension benefits.

Veterans, spouses, and caregivers are unaware of the program because 1) they have not received any direct communication from VA or anyone else about the existence of the program and 2) their own perceptions about VA benefits prevented them from proactively seeking information.

- ♦ **No focus group member had received any communication from VA (or anyone else) announcing the existence of the VA Pension program.** VA's outreach methods are primarily through direct contact by VA and VSOs. Although regional offices use various communication techniques, communication occurs at a local level, not at a mass level. Focus group participants suggest that the following methods would be effective to inform them of the existence of the VA Pension program:
 - Mass mailings on VA stationery. Veterans, spouses, and caregivers feel that VA stationery is necessary to assure them of the legitimacy of the communication.
 - Mass mailings by other Federal Agencies that already communicate important information to potential eligibles and their caregivers, such as Social Security or the Internal Revenue Service (IRS). Focus group participants emphasize that they pay attention to mail received from Social Security and from IRS.
 - Public service announcements on primetime television shows, national sporting event broadcasts, newsmagazine shows, newspapers, and military-themed movies. Veterans, spouses, and caregivers identify these types of media as ones they watch or read. One veteran suggests that labor unions are a good source of information for older veterans.
 - Brochures and pamphlets in doctors' offices and pharmacies. Caregivers say these are places they frequent as part of their assistance to the elderly veterans and spouses.

VA has recently begun a program of direct mailings to veterans and survivors to inform them of VA benefits. Under PL 107-103 Section 304, Improvement in Veteran Outreach, passed in 2002, VA now sends an acknowledgement letter with a pamphlet titled Summary of VA Benefits to every veteran who files an original claim for Compensation, Pension, Loan Guaranty, Vocational Rehabilitation, Education, Insurance, or Health Care. It summarizes all of the programs VA offers. Thus, veterans who participate in any VA program are being informed of other programs; veterans who do not participate are not being informed.

Under Section 6 of PL 107-14, Outreach to Eligible Dependents, passed in 2002, VA now sends a pamphlet about survivor benefits when VA receives an application for burial benefits or a flag application to the individual who authorized the services or requested the flag if it can be determined that individual is a spouse, child, or parent of the veteran. These actions are expected to increase awareness of the VA Pension program. However, this program will not reach survivors of veterans who died before the new communication program began, and they are the survivors who are currently unserved.

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Veterans, spouses, and caregivers have misperceptions about VA benefits that are also barriers to participation in the program. They include the following:

- ♦ **Veterans tend to think that eligibility for VA benefits is established at the time of separation from military service.** Veterans tell us that the basic source of information they have about VA benefits is information provided during their separation from military service many decades ago. They have the impression that if you do not have a service-connected disability, you are not eligible to receive any VA benefit. This impression stays with them over the years; only one of the focus group participants applied for VA compensation benefits because he has a low service-connected disability rating.
- ♦ **Veterans, spouses, and caregivers are not aware that eligibility for VA benefits may begin later in life, decades after the military service.** Veterans, caregivers, and spouses are unaware that a veteran or survivor can become eligible for VA benefits long after military service. When the need for pension occurs later in life, many eligibles do not consider that they may be entitled to a VA benefit based on previous military service.
- ♦ **Spouses and caregivers think that VA benefits are provided only to survivors of veterans with many years of military service.** Spouses and caregivers say that they do not think about eligibility for VA benefits because the veteran's term of service was only a few years. They think that benefits are available only to survivors of veterans with many years of service.

After making focus group participants aware of the benefits, we showed them the application for benefits and asked them whether they would apply. Focus group participants had mixed responses.

- ♦ **Veterans and spouses who receive other Federal need-based assistance are concerned that VA pension benefits will be counted against their other benefits.** They are concerned that any additional dollars they receive from VA will correspondingly reduce their other need-based benefits, such as housing assistance. They are correct—other Federal need-based assistance programs will count VA pension as income and reduce their other benefit(s) accordingly. Caregivers do not express this concern because none of the veterans and spouses being cared for receive any need-based assistance. Family members cover expenses instead of Federal need-based assistance programs.
- ♦ **Focus group participants—veterans, spouses, and caregivers—find the application daunting in its language and complexity.** Given the age and low educational levels of nonparticipants, the format of the application is challenging (combining applications for several benefits into a single application for veterans, the language used, and the information and documentation that must be supplied). About one-fourth of current participants have educational levels below eighth grade; more than half of spouses (59%) and nearly half (45%) of veterans do not have high school diplomas. One veteran focus group participant summed up his impression as follows: “VA makes the application easy for itself, not for the veterans.”
- ♦ **Veteran and spouse respondents have either heard of bad experiences in dealing with VA or they have not been satisfied with previous VA contacts, thus they are reluctant to approach VA for benefits.** Interestingly, current participants in the VA Pension program rate VA's service as having improved over the time they have received the benefit. However, those who are not enrolled either know someone or had a bad experience with VA, which makes them reluctant to contact VA for information about benefits. A negative experience—either personal or vicarious—seems to have a lasting effect.

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- ◆ **Caregivers emphasize that once they become aware of the benefits, they want to have access to a knowledgeable VA representative by telephone to assist them with the application process.** Caregivers do not want to have to navigate through electronic teleresponse systems because they feel they do not have enough information to determine what they need to know. They say they need to speak with a knowledgeable VA representative who can help them get the information to complete the application and guide them through the application process. Caregivers also want to use the VA Web site, which is currently available to them. Since they were not aware of the program, they did not visit VA's Web site previously.
- ◆ **All focus group participants express concern about the time it will take to begin receiving benefits, including the time it will take to gather the information and complete the application, as well as the time it will take for VA to determine eligibility and begin providing benefits.** The age of potential beneficiaries and their health conditions make them feel that they may not live long enough to receive any benefits, so it might not be worth their while to submit an application. One veteran describes himself and his elderly peers as follows: "As long as you have a roof over your head and food to eat, you are not going to go out of your way to look for other benefits. It's not worth it." Caregivers indicate that much of their free time is consumed managing the affairs of their elderly veteran or spouse relative, which does not leave them much time to spend on the application process.
- ◆ **Veterans, spouses, and caregivers do not want to spend the time to obtain information and complete the forms without knowing the criteria for eligibility.** They feel that after all of the effort to complete the application, they still might not qualify or receive benefits. They want a clear description of what the eligibility criteria are so they can assess whether it is worth their while to complete the application. They do not feel that the current application makes it easy for an applicant to assess his or her likely eligibility.

There are some similarities and some striking differences between the feedback from the focus groups of nonparticipants and the survey of participants, as shown in Exhibit 3.8. Lack of awareness of the program is a barrier to participation identified by both participating pensioners and focus group members. Half of the veteran pensioners (Table 8.2, Appendix D) and nearly one-third of the spouse pensioners (Table 8.2, Appendix E) report that they were eligible for a VA pension years before they applied. Lack of awareness of the program and whether they would be eligible are the two factors most often cited for not applying sooner, which is consistent with the feedback from nonparticipants and caregivers of nonparticipants in the focus groups. The majority of pensioners surveyed say that it is easy to find out about the program, gather the information and documentation necessary to submit the application, and complete and submit the application. Focus group respondents find the application complex and a barrier to participation. Most current pensioners who responded to the survey did not complete the application independently. About 90 percent of recent veteran and spouse pensioners received assistance in completing the application. The largest group of current pensioners (more than 40%) applied in person at a VA office, and someone else completed the application for one-third of current participants. Relatively few recent pensioners complete the application independently. Perhaps that is why participants find the application process easy and nonparticipants, who were just provided with a copy of the application to review, find the application overwhelming. It is possible that most participants are individuals who live near and frequent a VA facility, and those who do not live near a VA facility find it more difficult to access VA benefits.

Many participating pensioners are isolated. Nearly 62 percent of veteran respondents say that they stay at home most of the time due to disabilities or health conditions; another 11 percent stay in bed most

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of the time. As for spouses, 49 percent report staying at home most of the time and 7 percent report being bedridden (Table 32.2, Appendices D and E). Inferring that nonparticipants are in the same poor physical condition as participants—an inference confirmed by the caregivers—the poor physical condition and isolation of nonparticipants is likely to be a barrier to participation.

Current participants indicate in their survey responses that they feel there is a stigma attached to receiving Federal welfare assistance. Almost half of the spouses and 23 percent of veteran pensioners do not receive other Federal need-based assistance. Half of these veterans and 44 percent of the spouses who do not receive other Federal assistance say they would be ashamed to receive assistance from other Federal need-based programs (Appendices D and E, Table 67). By comparison, only 32 percent of the eligible elderly (over age 60) population receives food stamps; stigma is a major reason cited by the U.S. Department of Agriculture (USDA) for this occurrence. Some veterans and spouses may not seek VA pension (or other benefits) because of a stigma, although those currently receiving benefits are pleased to receive VA pension in recognition of service rather than having to turn to welfare.

Our interpretation of these findings is that even if VA publicizes the program effectively and overcomes the lack of awareness, many of the elderly eligible pensioners do not have the education and skills to complete the application, and the physical stamina or self-advocacy skills necessary to pursue the pension they need and for which they are eligible.

Exhibit 3.8. Similarities and Differences Between Pension Program Participants and Nonparticipants

Topics	Survey of Participating Pensioners	Focus Group of Pension Nonparticipants
Similarities		
Awareness of VA pension	Half of the veterans and one-third of the spouses were eligible years before they applied; lack of awareness is the major reason given for not applying sooner	Veterans, spouses, and caregivers are completely unaware of the program
Misconceptions about eligibility for VA pension	Among pensioners who were eligible years before they applied, not believing they were eligible is the second most frequent reason given for not applying sooner	Veterans, spouses, and caregivers did not believe they would be eligible for any VA benefits
Assistance with VA pension application	More than 95 percent of participants receive assistance to complete the pension application	Nonparticipants want assistance to complete the pension application

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Topics	Survey of Participating Pensioners	Focus Group of Pension Nonparticipants
Differences		
Finding out about VA pension	Participating veterans and spouses find it easy to learn of the existence of the program	Veterans, spouses, and caregivers who are unaware of the program find it difficult to become aware of the program
VA pension application	Participating veterans and spouses find the application process easy	Nonparticipating veterans, spouses, and caregivers find the application complex and overwhelming

H. SUMMARY

Veterans learn about the VA Pension program primarily from VA or VSOs. Veterans most often apply to the program either due to a serious illness or because they recently became aware of the program's existence. Conversely, spouses learn about the VA Pension program primarily because the deceased veteran was receiving VA Pension. The veteran being a pensioner is not a factor in spousal eligibility. Spouses are eligible on the basis of the deceased veteran's wartime service and financial need. The deceased veteran need not have been disabled nor does the deceased veteran need to have received a pension for the spouse to be eligible. For spouses, VA is the second most frequently cited source of information about the program. Spouses most often apply to the program due to the death of the veteran. However, spouses' other frequently reported reasons for applying are similar to those reported by the veterans: becoming aware of the program's existence, insufficient financial resources, and serious illness. Most of the recent veteran and spouse pensioners perceive the application process as being relatively easy, with some degree of difficulty encountered in completing and sending medical expense documents. Despite reporting the process as easy, most recent VA pension enrollees report needing help with the application process.

Focus group discussions reveal that eligible nonparticipating veterans, spouses, and caregivers are unaware of the program because they have not received any communication from VA about it. In 2002, legislation was passed to require VA to implement a program of direct communication to inform veterans and survivors of benefits available to them. Those being informed are veterans who apply for a benefit after 2002 and spouses of veterans who died after 2002. Chapter 7 describes VA's other outreach procedures, which focus on locally based direct outreach by VA and VSOs. Nonparticipants and caregivers suggested how VA could inform them of the program. There are other barriers to participation, including misperceptions of potential eligibles and their caregivers, the complexity of the application, the time the process takes, potential beneficiaries not knowing whether they would be eligible, and concerns about losing other Federal assistance.

For 2003, participation in the program is projected at 317,223 for veterans and 156,408 for spouses, down from 327,867 and 172,383 program enrollments, respectively, in 2002.² The number of participants is expected to decline further, given the low level of new enrollments. We estimate that

² Enrollment for 2002 was obtained from the VA Web site, as cited in Chapter 1. The Study Team using VA's VetPop2001 projection model estimated projected enrollment for 2003.

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only 26 percent of eligible veterans and 12 percent of eligible spouses participated in the VA Pension program in 2003.³

Half of the veterans and one-third of the spouse pensioners were eligible for VA pension benefits years before they applied for and began receiving them. The most common reasons for not applying include beneficiaries not knowing about the program and not thinking that they would be eligible, and unserved eligibles not having the education, self-advocacy, and physical skills needed to apply. Given the current participation level, it does not appear that the outreach methods are effective; this program serves only a fraction of the eligible veterans. VA's implementation of a brochure to inform veterans and survivors of deceased veterans since 2002 is an improvement. It will inform future eligibles of the program. It does not reach current eligible survivors who are unserved and current eligible veterans who are unserved unless they seek another VA benefit.

³ Percentage of participation calculated from projected 2003 participation and the Study Team's estimates of eligible veterans and spouses who do not participate.